

UNCLAS PARIS 00330
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ACTION: ECON UECON
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DISSEMINATION: ECON
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TO RUEHC/SECSTATE WASHDC 5698
INFO RUEHSS/OECD POSTS COLLECTIVE
RUEHLJ/AMEMBASSY LJUBLJANA 0519
RUEHMO/AMEMBASSY MOSCOW 6309
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RUEHTL/AMEMBASSY TALLINN 0429
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RUEHBJ/AMEMBASSY BEIJING 1935
RUEHBR/AMEMBASSY BRASILIA 2183
RUEHJA/AMEMBASSY JAKARTA 0714
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SUBJECT: The Standing Group for Global Energy Dialogue, February
25-26, 2009

¶1. Summary: The International Energy Agency's Standing Group for Global Energy Dialogue (SGD) met February 25-26 in Paris to discuss to review a range of outreach work to non-IEA countries, to discuss the activities of other energy organizations, and to discuss next steps for the IEA. Topics included the Russia-Ukraine gas dispute, participation of Russia/China/India in the upcoming March Governing Board meeting, reporting on the Gas Exporting Countries Forum (also referred to as GOPEC), the Secretariat's proposal "Winds of Change" on options for new relations between the IEA and non-member countries; and outreach to new geographic regions including ASEAN, Central Asia and Latin America. Finally, the group discussed the participation of Russia, China and India at the Ministerial to be held in the fall and possible outcomes and joint statements. End Summary.

¶2. December London Producer-Consumer Meeting: The Secretariat gave a detailed read on the December London P/C meeting and the way forward. The focus was on the Steering group expert Group dynamic, which is moving slowly. The steering group is supposed to pick an expert group and the terms of reference for that group but it was still not clear how the steering group itself would work (discussion took place before circulation of email from IEFS and Mexico chair that added more clarification on the steering group). The objective of the expert group was to identify ways to make the producer consumer process operate more effectively and possibly develop new architecture. The IEA Secretariat noted that the new IEFS Executive director wants to increase resources and expand IEFS activities. IEA's engagement and monitoring of IEF process was welcomed by delegates.

¶3. Russia-Ukraine Gas Dispute: The Secretariat gave a detailed chronology of the gas crisis as it unfolded over the first half of January, as well as a review of events leading up to that dispute. With the benefit of some good luck and some good juggling and cooperation among consuming countries, Europe was able to cope with a few exceptions. The crisis did reinforce the importance of key energy security mantras -- more storage, reduced internal barriers and diversification. However, the clear message from Secretariat as well as the EU rep, who served as one of the EU monitors of gas flows in January, was that, notwithstanding the deal that got gas flowing again, this problem is far from over. In fact, under terms

of the deal, Ukraine must pay for monthly gas shipments by the March 7, 2009. There are serious concerns that Ukraine will be unable to make its March 7 payment. Despite Ukraine's extreme predicament, there was no optimism that Ukraine is ready to undertake basic reforms necessary to enhance its energy security. With Naftogaz on the verge of bankruptcy, possible outcomes include formation of a gas consortium, or something akin to the situation in Belarus, where Russia owns the pipelines. (Currently, however, the pipeline infrastructure cannot be sold.) For now, the question is whether Ukraine will make its March 7 payment to Gazprom. Finally, the IEA and Polish delegates confirmed that gas shipments to Poland were still below the contracted amount.

¶4. Gas Exporting Countries Forum (GECF, though colloquially referred to as GOPEC): The Secretariat's analysis of the recently established GECF to be based in Doha is that it has no direction or vocation at this point and will be operating more as a dialogue shop. In the Secretariat's view, current market conditions and the fundamental differences in the gas market versus the global oil market, make it unlikely the GECF could engage in effective manipulation of markets along the lines of OPEC. Delegates welcomed the IEA's active watching brief on the GECF but did not see a need for acute concern.

¶5. Ministerial and China, India, Russia Participation: Preparations for the October Ministerial are linked to how the IEA proceeds with outreach with its top three priority countries. The Secretariat used this SGD meeting to throw out key questions that the March Governing Board (GB) meeting will have to address. Central questions are: Should there be a communique with just the 28 IEA members or should there be a 28 plus 3 communique? How extensively and what process should be used for engaging the partner countries in the communique negotiation and finalizing the Ministerial agenda?

¶6. The GB will also be asked to take a position on three separate draft bilateral Joint Statements for possible negotiation and signature with each of the partners; the Secretariat circulated these as room documents during the meeting and they largely codify past and proposed future cooperation as well as idea of a notional commitment to attend at least one GB a year in future. Finally the GB will be asked to give guidance on a proposal for announcement at Ministerial of the establishment of a training and development center at the October Ministerial.

¶7. SGD delegates were open to idea of pursuing a 28-plus communique but recognized that may involve more watering down than acceptable. Regarding the training center, US and Canada raised questions about analysis behind this proposal and noted that the GB would likely need much more info before it could make an informed decision.

¶8. Winds of Change: In response to a request from last December's GB, the Secretariat presented a lengthy discussion paper on the Options for New Relations between the IEA and non-Member countries. There was widespread concern among delegates that this paper was creating impression that the IEA was in a rush toward precipitous decisions. There was particular concern about the IEA broaching issue of a G-20 energy body. The IEA agreed to try to eliminate this tone and make clear that our outreach ambitions will be limited by the political willingness of other parties to engage, and would specifically drop wording suggesting that IEA was engaged in developing options for new fora to address global energy issues.

¶9. Other Activities: The Secretariat is continuing its increased focus on Southeast Asia and the Caspian brief remains very active with an IEA team heading to Turkmenistan in early April for discussions on natural gas. Latin America is also another priority with the upcoming review of Chile and a push from Spain was backed by the US and Canada to make Latin America a special theme for a future SGD meeting.

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